

REMARKS/ARGUMENTS

5       Reconsideration of the application is respectfully requested.  
Claims 1-7 are pending in the present invention. No new  
matter has been added to the application in this response.  
The idea of reducing emissions is for example mentioned in  
paragraph 0003 of the published version of this application  
10       (US 2005/0246254).

1. Rejection of Claims 1-7 under 35 USC § 101

Claims 1-7 were rejected under Section 101 as being directed  
15       to non-statutory subject matter. Claim 1 has now been amended  
to positively recite the subject matter that is being  
transformed. The transformations that take place include the  
polluter reducing the quantity of emissions from (x1) to (x2)  
to transform to cleaner technology and profiting from the buy-  
20       back of the futures at the reduced futures costs (n2) which is  
lower than the initial futures costs (n1) for the futures sold  
earlier. The claims should now fully conform to Section 101.

2. Rejection of Claims 1-7 under 35 USC § 103(a).

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Claims 1-7 were rejected under Section 103 as being obvious  
over Raines in view of Lundgren, further in view of McGill and

further in view of Hull. This §103 rejection is respectfully traversed in part and overcome in part as follows:

a. The Cited Main Reference Is Not Prior Art

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The current application has a priority date of 8 September 2002. The main reference Raines cited by the Examiner has a filing date of 8 November 2002. This is after the priority date of the current application. It is submitted that the  
10 Examiner has not met the burden of showing that Raines is prior art. The rejection should therefore be withdrawn.

b. The Requisite Steps of Independent Claim 1 Are Neither Taught Nor Suggested in the Cited Art.

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The current amended claim 1 recites, among other method steps, determining a marginal cost (m1) for reducing one emission unit of the pollutant, determining a futures cost (n1) for one emission unit of the pollutant and setting an emission fee  
20 (s1) to be the same as a closing price of the futures cost (n1) at an expiration of a futures contract term, comparing the marginal cost (m1) with the future cost (n1) and investing in emission reducing equipment when the marginal cost (m1) is less than or the same as the future cost (n1), the polluter  
25 selling the delta quantity (d1) of futures at the futures cost (n1) and buying back the futures at the futures cost (n2).

Such steps are not taught or suggested in the cited references.

5 The Examiner states on page 4 of the Office action that Raines fails to teach "adding the pollution fee (s1) to the delta quantity (d). This may be true but it is not what the amended claim 1 requires. The pollution fee (s1) is never added to the delta quantity (d) in the amended claim 1. Claim 1, among other things, requires that the delta quantity (d) of futures  
10 is sold at the future costs (n1).

Additionally, Raines and the other cited references fail to teach or suggest the step of determining a marginal cost (m1) for reducing one emission unit of the pollutant. The Examiner  
15 refers to Fig. 7, step 1; and col. 3, lines 63-65 of Raines. Applicant cannot see that Raines teaches the required step in the cited text sections. Raines merely estimates energy savings in step 1 of Fig. 7 and seems to compare baseline energy use with program energy use. Col. 3, lines 63-65  
20 merely teaches aggregating the emission reductions into a tradable credit. The Examiner is respectfully requested to explain how and where Raines teaches the marginal cost step of the amended claim 1. Similarly, step 1 of Fig. 7 also fails to teach the step of determining a futures cost (n1) for one  
25 emission unit of the pollutant. Step 1 completely fails to teach or suggest anything about futures costs. Again, step 1

is merely concerned with estimating energy savings. Consequently, Raines fails to teach the step of comparing the marginal cost with the futures costs in step 3 also. The Examiner asserts that col. 7, lines 9-15 of Raines teaches investing in emission reducing equipment when the marginal cost is less than or the same as the futures costs. Applicant strongly disagrees. The cited text segment in col. 7 merely discusses that certain energy saving equipment could be replaced etc. There is nothing about investing when the marginal cost is less than or the same as the futures cost. The cited references are void any discussion of teaching of the above-listed steps of the amended claim 1.

Accordingly, the combination of the cited references fails to teach, suggest or provide motivation or incentive for this aspect of the invention. Therefore, the rejection of claim 1 under § 103(a) is improper, and should be removed.

c. Prima Facie Support for Combination Under § 103 Not Provided

Even assuming *arguendo* that the requisite method steps of claim 1 are shown by the combination of Raines, Lundgren, McGill and Hull, *prima facie* support for combining the references, according to the requirements as set forth in M.P.E.P. § 2142 has not been provided in the present Office

Action.

As provided in M.P.E.P. § 2142, the Supreme Court in *KSR International v. Teleflex Inc.*, 82 USPQ2d 1385, 1396 (2007) specified that the analysis supporting a rejection under 35 U.S.C. § 103 should be made explicit. “[R]ejections on obviousness cannot be sustained with mere conclusory statements; instead, there must be some articulated reasoning with some rational underpinning to support the legal conclusion of obviousness.” *In re Kahn*, 441 F.3d 977, 988, 78 USPQ2d 1329, 1336 (Fed. Cir. 2006). Furthermore, the Examiner must make “explicit” this rationale of “the apparent reason to combine the known elements in the fashion claimed,” including a detailed explanation of “the effects of demands known to the design community or present in the marketplace” and “the background knowledge possessed by a person having ordinary skill in the art” (KSR, page 14).

The only rationale provided in support of the 103(a) rejection of claim 1 are on pages 4-5 of the Office action, which merely asserts it would have been obvious to modify Raines with the teachings of Lundgren “in order to enabling the economy to achieve pollution reduction in the cheapest manner”, and “in order to provide for speculating in the market with a small minimum trade size while still providing high leverage capabilities,” (emphasis added). Thus, the benefits, or

advantages of the modification (e.g. cheapest manner and small trade size) are the only rationale provided in the Office Action in support of the instant rejection.

5       However, merely stating that the benefit of the modification exists, as done above, does not provide the "articulated reasoning with some rationale underpinning to support the legal conclusion of obviousness, required under KSR. By definition, every patentable invention must be "beneficial" -  
10       and *arguendo* every invention contemplates at least some new benefit(s) in arriving at the invention - certainly this does not render the benefit obvious or expected. Because every modification or element has a corresponding use or benefit, the above reasoning could be applied to any improvement. It  
15       appears therefore that "hindsight construction" may have perhaps played a role in arriving at the present ground for rejection in the Office action - which though difficult perhaps to avoid in many cases, is nonetheless impermissible in making a *prima facie* showing of obviousness.

20       Additional rationale provided by the Examiner on page 5 of the Office action is that the artisan would have combined Hull with the three other references "in order to produce profit." The above are mere conclusory statements that the courts have  
25       specifically rejected. This statement is prophetic. The rationale of the statements lacks the required explicit and

articulated reasoning with some rational underpinning for supporting any *prima facie* conclusion of obviousness. To assert that the skilled artisan would have combined Hull with the three other references due to profit are mere speculations and generally conclusory assertions that fail to provide the required explicit and articulated reasoning with some rational underpinning for supporting the conclusion of obviousness. The fact that the Examiner must combine four references to arrive at the current invention is an indication of non-obviousness and perhaps that an improper hindsight analysis was used.

According to M.P.E.P. 2142, "the examiner bears the initial burden of factually supporting any *prima facie* conclusion of obviousness. If the examiner does not produce a *prima facie* case, the applicant is under no obligation to submit evidence of nonobviousness." Because a *prima facie* conclusion of obviousness has not been provided in the present Office Action, Applicants respectfully request reconsideration and withdrawal of this ground for rejection as to claim 1, and any additional remaining claims to the extent they may depend therefrom.

d. Dependent Claims 2-7

Because dependent claims 2-7 depend from the allowable independent claim 1, and as detailed above, their rejection is

now moot. However, claims 2-7 also recite additional characteristics that are not found in the cited art. Accordingly, the rejection of claims 2-7 under § 103(a) is improper.

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### 3. Conclusion

Based on the foregoing, Applicant respectfully requests that the various grounds for rejection in the Office Action be reconsidered and withdrawn with respect to the previously amended form of the claims, and that a Notice of Allowance be issued for the present application to pass to issuance.

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In the event any further matters remain at issue with respect to the present application, Applicant respectfully requests that the Examiner please contact the undersigned below at the telephone number indicated in order to discuss such matter prior to the next action on the merits of this application.

Respectfully submitted,

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